

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 IO-13 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 /159 W

-----010931 161958Z /41

P 161849Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7313
INFO AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM

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USMTN

ACTION STR PASS ELECTRICALLY

STR PASS CODEL

E.O. 11652: N/A
TAGS: ETRD, MTN
SUBJECT: MTN DEL/NORDIC REVIEW OF STATUS OF BILATERAL
NEGOTIATIONS

1. SUMMARY: USMTN NORDIC TEAM, LED BY AMBASSADOR
MCDONALD, MET MARCH 14 WITH NORDIC MTN DEL (AMBASSADOR
DE GEER WITH LEMMEL FROM SWEDEN, AMBASSADOR KAARLHETO
WITH EKBLOM FROM FINLAND, AND AMBASSADOR CAPPELEN WITH
SELMER FROM NORWAY) TO REVIEW PROGRESS MADE THUS FAR IN
BILATERAL NEGOTIATIONS, AND TO STRESS THE NEED FOR RAPID
ASSIMILATION OF OFFERS, REQUESTS, AND RESPONSES AS NECES-
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SITATED BY THE JULY TIMETABLE. END SUMMARY.

2. AMBASSADOR MCDONALD OPENED THE SESSINBY EMPHASIZING
THE NEED TO REACH AN AGREEMENT IN PRINCIPLE BY JULY 15,
STATING THAT THE MOOD FOR TRADE LIBERALIZATION IN THE U.S.
IS NOT GOOD, AND THAT THE SENSE OF FRUSTRATION HAS BEEN
AGGRAVATED BY EXCHANGE RATE PROBLEMS, INFLATION, AND THE

CONTINUING SKEW OF UNEMPLOYMENT TOWARDS DISADVANTAGED GROUPS. THE PRESIDENT'S DENIAL OF IMPORT RELIEF FOR THE U.S. INDUSTRIAL FASTENER INDUSTRY WAS CITED AS EVIDENCE OF THE ADMINISTRATION'S COMMITMENT TO A SUCCESSFUL CONCLUSION OF THE TOKYO ROUND, BUT THE FACT THAT A MOVE TO OVERRIDE THE DECISION HAS BEEN INTRODUCED IN CONGRESS REFLECTS GROWING PROTECTIONIST PRESSURES. MCDONALD STATED THAT CONGRESS WOULD BE UNRECEPTIVE TO A PACKAGE THAT DID NOT CONTAIN SUBSTANTIAL AGREEMENTS IN THE AGRICULTURAL AND SUBSIDY /COUNTERVAILING DUTIES AREAS.

3. THE NORDICS EXPRESSED INTEREST IN THE APRIL 10 PROGRESS REVIEW SESSION, AND ASKED IF REPRESENTATIVES FROM OTHER INTERESTED COUNTRIES MIGHT BE INCLUDED. MCDONALD INDICATED THAT THIS WAS A POSSIBILITY, BUT STRESSED STRAUSS' TIGHT TIME CONSTRAINTS. THE NORDICS WERE CURIOUS AS TO WHAT PROGRESS HAD BEEN MADE THUS FAR WITH THE EC IN THE TARIFF FIELD. MCDONALD RESPONDED THAT THE U.S. WOULD SOON BE MAKING REQUESTS FOR GREATER-THAN-FORMULA CUTS FROM THE EC AND ATTEMPTING TO AVOID ANY SIGNIFICANT EROSION.

4. MCDONALD NOTED SWEDEN'S INTEREST IN OBTAINING A POSITIVE U.S. OFFER ON SPECIALTY STEEL BUT EMPHASIZED THE LEGAL RESTRAINTS INVOLVED, AND POINTED OUT THAT THIS YEAR SWEDEN WAS LIKELY TO LEAVE THREE OF THE FIVE QUOTAS UNFILLED. THE SWEDISH DEL REPLIED THAT THIS WAS A GOOD REASON FOR REMOVING THE QUOTAS. THE FINNISH DEL ALSO EXPRESSED AN INTEREST IN SPECIALTY STEEL AS WELL AS OBTAINING ACCESS IN THE LIMITED OFFICIAL USE

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U.S. FOR FINNISH ICEBREAKERS.

5. MCDONALD EXPRESSED APPRECIATION FOR RECEIPT OF THE SWEDISH TARIFF OFFER, AND INQUIRED AS TO WHEN WE COULD EXPECT FINNISH AND NORWEGIAN OFFERS. THE FINNISH DEL INDICATED THAT THEIR OFFER SHOULD BE READY IN EARLY APRIL, WHILE THE NORWEGIAN INDICATED MID-APRIL AS PROBABLE. MCDONALD STATED THAT WE HOPED FOR AN EARLIER NORWEGIAN DELIVERY. U.S. DEL RESTATED THE CONSIDERABLE ATTRACTIVENESS OF THE U.S. OFFER IN KEY AREAS OF INTEREST TO THE NORDICS, I.E., STEEL OTHER THAN SPECIALTY STEEL, PAPER, AND MACHINERY. FURTHERMORE, U.S. DEL NOTED THAT WHILE AVERAGE NORDIC TARIFF LEVELS MAY BE LOW, THE U.S. WAS ONE OF ONLY A HANDFUL OF MAJOR NORDIC TRADING PARTNERS WHOSE PRODUCTS DID NOT ENTER DUTY-FREE.

6. U.S. DEL EXPRESSED ITS DISAPPOINTMENT WITH THE NORDIC RESPONSE TO U.S. AGRICULTURAL REQUESTS, AND REITERATED THE ABSOLUTE NECESSITY OF GREAT IMPROVEMENT IN THIS AREA. U.S. DEL INDICATED AN AWARENESS OF SPECIAL PROBLEMS NORDICS FACE DOMESTICALLY WITH REGARD TO AGRICULTURAL CONCESSIONS, BUT THAT THESE FACTORS HAD BEEN TAKEN INTO CONSIDERATION IN TEMPERING U.S. AGRICULTURAL REQUESTS FOR THE NORDICS. THE NORDICS INDICATED THAT IMPROVEMENTS IN THIS AREA WERE

POSSIBLE BUT EXPRESSED CONCERN OVER U.S. SECTION 22
WAIVERS.

7. WITH REGARD TO SAFEGUARDS, THE NORDICS (KAARLHETO)
STATED THAT THE "SELECTIVE APPLICATION" LABEL GIVEN TO
THEIR POSITION WAS MISLEADING, AND THAT THEY SOUGHT A
UNIVERSAL APPLICATION FOR ALL EXPORTERS THAT CAUSE INJURY
(BUT NOT NECESSARILY ALL EXPORTERS). THE NORDICS REITER-
ATED THEIR BELIEF THAT AN AMENDMENT TO GATT ARTICLE XIX WAS
UNNECESSARY, SINCE THEY INTERPRET THAT ARTICLE AS SUPPOR-
TIVE OF THEIR POSITION. THE NORDICS EXPRESSED CONCERN
OVER THE IMPLICATION THAT U.S. ADOPTION OF A CLAUSE ON
SELECTIVITY MUST BE PAID FOR BY OTHER CONTRACTING PARTIES.
U.S. DEL RESPONDED THAT 'PAID FOR' WAS A MISNOMER BUT THAT
IT MUST BE UNDERSTOOD THAT A FINAL PACKAGE CONTAINING
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USMTN

ACTION STR PASS ELECTRICALLY STR PASS CODEL

SELECTIVITY IN SAFEGUARDS WOULD BE DIFFICULT TO SELL BACK HOME AND COULD ONLY BE ENVISAGED IN THE CONTEXT OF A SIGNIFICANT OVERALL RESULT IN THE TOKYO ROUND.

8. THE NORDICS REGISTERED CONCERN OVER THE ABILITY TO MAKE PROGRESS IN THE SUBSIDY/COUNTERVAILING DUTY SECTOR IN ACCORDANCE WITH JULY TIMETABLE, AND ASKED IF THE U.S. PLANNED TO SET ITS IDEAS DOWN ON PAPER IN THIS AREA. U.S. DEL RESPONDED THAT U.S. IS CONTINUING ITS DIALOGUE WITH THE EC ON THIS TOPIC AND IS OPTIMISTIC THAT PROGRESS CAN BE MADE. MCDONALD NOTED THAT WE HOPED TO BE IN A POSITION TO SHARE THE RESULTS OF POSSIBLE NEW DEVELOPMENTS IN THIS AREA IN THE NEAR FUTURE. AGAIN, THE IMPORTANCE TO THE U.S. OF AN AGREEMENT ON SUBSIDIES/COUNTERVAILING DUTIES LIMITED OFFICIAL USE

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WAS STRESSED.

9. DRAFTED BY ST. MAXENS. MCDONALD

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